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Briefing Report to the Chairman, Committee on Governmental Affairs, United States Senate

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GSA PROCUREMENT

Limited Opportunities to Supply More Common-Use Items to Civil Agencies

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August 26, 1986

The Honorable William V. Roth, Jr.
Chairman, Committee on Governmental
Affairs
United States Senate

Dear Mr. Chairman:

In response to your January 11, 1985, request we studied the purchasing practices of civil agencies to determine whether they are buying items on the open market that should be obtained from the General Services Administration (GSA). GSA is responsible for procurement of common-use items[1] where central purchasing permits economical purchase of large quantities at favorable prices. We briefed your representative on our work, and this briefing report summarizes the results of our audit.

Our work centered on the issue of whether the government could realize substantial savings through increased centralization of civil agency purchases (greater use of GSA). In order to address this issue we (1) estimated GSA's potential market of common-use items based on reported fiscal year 1984 procurements by civil agencies and analyzed selected civil agency purchases that make up this market and (2) followed up on GSA actions to respond to the 1983 President's Private Sector Study on Cost Control (PPSSCC) recommendation that civil agencies could save an estimated $242 million annually through increased centralized (GSA) procurement of common-use items. The specific methodology we used and the limitations of the results are discussed on pages 6 to 8.

GSA'S POTENTIAL MARKET

Civil agencies reported procurements of $37.2 billion in fiscal year 1984. Using GSA's methodology, we estimated that the GSA total potential market was $5.5 billion, or 15 percent of total civil agency procurements. We determined

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[1]This report concerns common-use goods and services that are available through GSA's Federal Supply Service.

that the remaining $31.7 billion was spent for research and development activities and for products and services not provided by the Federal Supply Service. Federal Procurement Data Center records show that civil agencies purchased $1.6 billion of GSA's estimated fiscal year 1984 market either from GSA or another federal source and $3.9 billion on the open market. This $3.9 billion represents our estimate of the potential market that GSA did not capture in fiscal year 1984. It consisted of $1.6 billion in purchases over $10,000 and $2.3 billion in purchases under $10,000. This same methodology was used by the PPSSCC to estimate the GSA potential market and to project savings of $242 million annually resulting from agencies making greater use of GSA when purchasing common-use items.

GAO ANALYSIS

Our analysis of selected purchases included in the estimated $3.9 billion potential market showed that most of the items civil agencies purchased on the open market did not represent a potential market for GSA. Specifically:

--In the over $10,000 market, $19.3 million of the $1.3 billion in purchases we reviewed (out of $1.6 billion) were for common-use items that could have been provided by GSA. However, for $18.5 million of these purchases the procurement was appropriate and regulations allowed agencies to make these purchases on the open market. (See pp. 11-12.) The remaining $1.281 billion in purchases included (1) items unique to an agency's needs, (2) services not provided by GSA, and (3) purchases by an agency not required to use GSA. (See pp. 10-13.)

--In the under $10,000 market, agencies made $2.3 billion in open market purchases in fiscal year 1984. GSA's methodology counts all these purchases as potential market. We randomly selected 1,901 purchase orders at five locations and found that 260 or 14.0 percent of these purchases represented a potential market for GSA. These purchases accounted for 10 percent of the dollar value of the items we sampled. The other purchases were for items not provided by GSA. While our sample cannot be projected to the $2.3 billion potential market, we believe the sample results and the information obtained concerning open market purchases by other civil agencies demonstrates that including all the under $10,000 purchases overstates GSA's potential market. (See pp. 13-14.)

GSA'S RESPONSE TO THE PPSSCC

GSA has not completed the studies of agency purchasing practices recommended by the PPSSCC. These studies were to determine which items should be procured centrally by GSA and which should be procured directly by agencies. GSA did complete one study in March 1983 which resulted in GSA issuing a new supply schedule for subscriptions with estimated annual sales of $5 million. However, we were told no additional studies were conducted because (1) the completed study did not identify a large potential market and (2) GSA did not have the resources to review actual agency purchases at geographically dispersed purchasing offices.

Other GSA actions to respond to the recommendation included unsuccessful attempts to capture more of the market by analyzing agency open market purchases and the Federal Supply Service proposing that GSA take over the procurement function for agencies with annual open market purchases totaling less than $50 million. This proposal was not approved by GSA headquarters. We were told that a consultant contract awarded in March 1986 is GSA's latest effort to respond to the PPSSCC recommendation. The purpose of this study is to review how to best supply common-use items to federal agencies. This study is scheduled to be completed in December 1986.

CONCLUSIONS

Our evaluation of selected civil agencies' open market purchases which are included in estimates of GSA's potential market has shown that most purchases were not for common-use items that should have been purchased by GSA. Our analysis of open market purchases over $10,000 has shown that almost all of these purchases did not represent a market for GSA and valid reasons existed for agencies to purchase items on the open market. In addition, our sample of open market purchases under $10,000 and the information obtained concerning open market purchases by other civil agencies demonstrated that including all these purchases in GSA's potential market results in the estimate being overstated.

While we agree that civil agencies should use GSA to the maximum practicable extent to obtain common-use items, our work indicates that for the most part civil agencies are already doing this. Therefore, we conclude that the estimated savings that would result from civil agencies making greater use of GSA are overstated.

As you requested, we did not obtain official agency comments but we obtained the views of GSA officials throughout the review. GSA officials generally agreed with our conclusions and their views have been incorporated in this briefing report where appropriate.

As arranged with your office, unless you publicly announce its contents or authorize its release sooner, no further distribution of this report will be made until 30 days from its issue date. At that time, we will send copies to the GSA Administrator and other interested parties and make copies available to others on request.

Should you need additional information on these matters, please call Mr. William Engel of my staff on 275-4407.

Sincerely yours,

James G. Mitchell

James G. Mitchell
Senior Associate Director

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LIST OF ABBREVIATIONS

FPDS	Federal Procurement Data System
GSA	General Services Administration
PPSSCC	President's Private Sector Study on Cost Control
TVA	Tennessee Valley Authority
VA	Veterans Administration

CIVIL AGENCY USE OF GSA

BACKGROUND

The Federal Property and Administrative Services Act of 1949 created GSA to give the government an efficient and economical system for the procurement and supply of personal property and nonpersonal services. The Federal Property Management Regulations, which implement the Act, provide that agencies obtain goods and services from GSA when available rather than from other sources especially when they will serve the desired functional end use. The regulations state that GSA will supply common-use items to executive agencies. Common-use is defined as items of standard commercial production.

GSA supply programs

GSA's Federal Supply Service provides common-use items to federal agencies through the stock, schedule and special order programs. (The reported sales for these programs which follow include sales to the Department of Defense.)

The stock program contains frequently used items that can be economically procured in bulk, such as paper, hand tools and office and cleaning supplies. These items are issued through either GSA's wholesale or retail distribution outlets or by direct delivery from the vendor to the customer agency. In fiscal year 1985, GSA reported sales of $1.1 billion in the stock program.

The schedule program is GSA's largest supply program accounting for $2.1 billion in sales during fiscal year 1985. Under the schedule program, GSA negotiates discount prices with vendors and then publishes schedules listing the vendors that provide the schedule items. Agencies place orders for direct shipment from vendors.

GSA also has a special order program to purchase items related to agency needs that are not provided by the stock or schedule program. Such items include automobiles and furniture, and are purchased for direct shipment from the vendor to the user. In fiscal year 1985 GSA reported sales of $1.2 billion under this program.

Objectives, scope, and methodology

On January 11, 1985, the Chairman, Senate Committee on Governmental Affairs, asked us to review several issues regarding civil agency procurement. This assignment focused on the issue of whether the government could save millions of dollars through increased centralization of civil agency purchases. In order to address this issue we (1) estimated GSA's potential market of common-use items based on reported fiscal year 1984 procurements by civil agencies and analyzed

selected civil purchases that make up this market and (2) followed up on GSA's actions to respond to the 1983 PPSSCC recommendation that civil agencies could save an estimated $242 million annually through increased centralized (GSA) procurement of common-use items.

We conducted our review from April 1985 to February 1986 at the General Services Administration's Federal Supply Service, selected Veterans Administration (VA) medical centers, and 16 civil agencies. (See p. 16.) We interviewed officials in GSA's Office of Policy and Agency Assistance to determine (1) how GSA estimates its potential market in civil agencies and (2) what GSA has done to respond to the PPSSCC recommendation.

To estimate GSA's total potential market in civil agencies based on fiscal year 1984 procurements reported to the Federal Procurement Data System (FPDS)[2] we used the methodology developed by GSA and used by the PPSSCC. (See pp. 8-10.) We did not verify the accuracy of the data reported to FPDS. Fiscal year 1984 was used because it was the most current completed year that data was available in April 1985 when we started our review.

To determine whether civil agencies were purchasing common-use items on the open market that could be obtained from GSA we examined selected open market purchases made by civil agencies. For the over $10,000 market, we reviewed all contract actions over $500,000 in the 20 supply and equipment and service codes with the greatest amount of reported open market purchases. Using this criteria allowed us to review a significant portion of GSA's potential market.

For the under $10,000 market, we reviewed selected VA purchases because in fiscal year 1984 VA accounted for $753 million or 33 percent of this estimated potential market. We took statistical samples of open market purchases at medical centers located in East Orange, NJ; New York, NY; Northport, NY; Richmond, VA; and Washington, DC. The five medical centers were selected because they reported many open market purchases and therefore were potential greater users of GSA. These five locations reported open market purchases totaling $47 million in the under $10,000 category.

At our request GSA officials reviewed the open market purchases in our sample and provided their views on whether these purchases represented a potential market for GSA. A purchase was included in GSA's potential market if a similar or like item was available from GSA or the item was in a supply class where GSA is the commodity manager.

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[2]FPDS was established in 1979 to collect data on federal agency procurements.

For open market purchases that were determined to represent a potential GSA market, we attempted to compare the open market price with the GSA price. For the over $10,000 market, price comparisons were not made because our analysis of these purchases indicated that the open market purchases were permitted under existing procurement regulations. For example, in some instances GSA had granted a waiver allowing the agency to make the purchase or the GSA schedule had expired and a new schedule had not yet been awarded at the time of purchase. For items included in the under $10,000 potential market we normally were unable to make valid price comparisons because specific information needed such as item description and product features was not available for agency open market purchases.

In order to obtain additional information on open market purchases under $10,000 we contacted several civil agencies and discussed what they are buying on the open market and obtained three Inspector General reports that addressed civil agency use of GSA.

Our work was performed in accordance with generally accepted government auditing standards.

HOW GSA'S POTENTIAL MARKET IS ESTIMATED

The methodology GSA developed to estimate its potential market assumes that all purchases in selective supply classes are for common-use items that could be provided by GSA. However, the data base to which the methodology is applied does not provide adequate information to determine whether all these purchases represent a potential market. It identifies purchases in specific supply classes and the agency making the purchase. Further market research is required to determine if the purchases are for common-use items that could be provided by GSA.

How much should federal agencies be buying through GSA? In response to this question, GSA developed a methodology to estimate its potential market. The estimate is based on federal agencies' procurements reported to FPDS. The methodology differs for purchases over $10,000 and those under $10,000.[3] This same methodology was used by the PPSSCC to estimate the savings that would result if civil agencies made greater use of GSA.

Each procurement over $10,000 is individually reported to FPDS and classified as either for research and development,

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[3]In fiscal year 1986, the FPDS reporting levels were changed to over and under $25,000.

supplies and equipment, or services. The GSA potential market is limited to supplies and equipment and services. Each supply and equipment and service procurement is given a product service code which indicates a supply class but it does not identify the actual item purchased. For example, this code will identify the total purchases reported for office equipment, but not whether a typewriter, calculator or copier was purchased.

There are approximately 1,800 supply and equipment and service codes. GSA has determined that 486 supply and equipment codes and 297 service codes represent its potential market. The remaining codes are for supplies and services not provided by the Federal Supply Service such as ships, space vehicles, computer equipment, leasing of facilities, utilities and housekeeping services. The supply and equipment codes included in GSA's potential market represent the supply classes assigned to GSA as well as some classes assigned to the Department of Defense for which GSA currently provides support to civil agencies. The service codes were included in the potential market identified under the assumption that GSA should provide service contracts for the supplies and equipment agencies purchase from a GSA source.

The remainder of GSA's potential market consists of purchases under $10,000. FPDS data for these purchases only show the total amount purchased on the open market and/or through GSA for each agency. Although the FPDS information does not provide sufficient information to determine whether these purchases represent a potential market for GSA, all open market purchases under $10,000 are included in estimates of GSA's potential market. We were told this assumption was made because low dollar level purchases are believed to be for common-use supplies and equipment and not for services or research and development activities.

Estimate of GSA's fiscal year 1984 potential market for civil agencies

We applied GSA's methodology to civil agencies' fiscal year 1984 procurements, which totaled $37.2 billion, and estimated a GSA potential market of $5.5 billion. As shown in the following table, civil agencies purchased $1.6 billion or 29 percent of this market from GSA or another federal agency and $3.9 billion or 71 percent was purchased on the open market.

TABLE I.1
GSA'S POTENTIAL MARKET IN CIVIL AGENCIES FOR FISCAL YEAR 1984

Potential Market Category	Source of Procurement: Open Market	%	GSA	%	Other Agency	%	Total
	(millions)						
Over $10,000							
Supplies & Equipment	$1,230	70	$ 507	29	$ 13	1	$1,750
Services	381	88	54	12	-	-	435
Subtotal	1,611		561		13		2,185
Under $10,000	2,288	69	869	26	164	5	3,321
Total potential market	$3,899	71	$1,430	26	$177	3	$5,506

The $3.9 billion in open market purchases represented the supplies and equipment and services that were purchased by civil agencies that, based on GSA's methodology, could have been procured through GSA. It consisted of $1.6 billion of purchases over $10,000 and $2.3 billion of purchases under $10,000.

GAO ANALYSIS OF OPEN MARKET PURCHASES OVER $10,000

Our review of $1.3 billion of the $1.6 billion in open market purchases over $10,000 showed that most purchases were not for common-use items that could have been provided by GSA. The results of our analysis are summarized below and explained in detail in the sections that follow:

--Of the $278.6 million of open market supply and equipment contracts we reviewed, $19.3 million were for items provided by GSA. Further, $18.5 million (96 percent) of the $19.3 million were purchases that agencies were permitted to make by procurement regulations. The remaining $259.3 million (93 percent) of the contracts we looked at were for items that were not supplied by GSA.

--Of the $277 million of open market service contracts included in the potential market, we found that $170 million were for services unique to individual agencies and did not represent a potential market for GSA. The potential market also included (1) $60 million in open

market contracts where GSA would take over the procurement function for some agencies, but no study has been done to determine if this is cost effective or feasible, and (2) $47 million in open market contracts for travel and transportation services not provided by GSA.

--$726 million in Tennessee Valley Authority (TVA) procurements are included in the estimated potential market, although TVA does not procure subject to the requirements of the 1949 Act and reported no use in fiscal year 1984.

Supply and equipment contracts

Our review of $278.6 million in open market supply and equipment contracts showed that $19.3 million or 7 percent of the dollar value represented a potential GSA market. These purchases were for paper, books, subscriptions, and instrument and laboratory equipment. The remaining $259.3 million in contracts did not represent a GSA market because this was for items unique to agency needs, such as $108 million Bureau of the Mint contracts for copper, nickel, and zinc to mint coins; a $33 million Federal Aviation Administration contract for equipment for a microwave airport landing system; and a $30 million Department of Energy contract for nuclear power plant equipment.

Further analysis of the $19.3 million in purchases identified as a potential market showed that $18.5 million of these open market purchases were permitted by procurement regulations:

--for $8.9 million in purchases there was no GSA source of supply when the agency purchase was made;

--for $3.7 million in purchases the GSA supply schedule was cancelled at the time of purchase;

--for $2.8 million in purchases the agencies received authority from GSA to procure on the open market;

--for $2.0 million in purchases the GSA source of supply is an optional supply schedule; and

--for $1.2 million in purchases the agency contract amount exceeded the maximum order limitation[4] established by GSA.

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[4]The maximum order limitation is the point where GSA determines it would be more cost-effective for an agency to develop its own solicitation rather than using the FSS schedule. This occurs because GSA negotiates discounts based on normal levels of purchases, and for procurements which exceed these levels the agency should be able to obtain a more favorable price.

The remaining $800,000 purchase was for a type of paper which was not available from GSA.

Contracts for services

Our review of $170 million in open market service contracts disclosed that none represented a potential GSA market. These contracts were for services unique to agency needs and not for common-use services that would be provided by GSA. The following are examples of contracts included in this potential market.

--A $56 million Environmental Protection Agency contract for the hazardous waste program.

--A $12 million National Aeronautics and Space Administration contract for maintenance on a flight simulator.

--Three Department of Energy contracts for $9 million for port services involving the strategic petroleum reserve.

These types of contracts were included in the potential market, because the methodology is based on a supply code and not a review of the actual service procured.

We found that $60 million of the fiscal year 1984 potential service market was based on the premise that GSA would take over the procurement function for agencies with less than $50 million in annual open market procurements. In fiscal year 1984, 35 agencies met this criteria. GSA identified 355 services that they could centrally procure for these agencies. These include services for special studies and analyses, and management and administrative support. GSA believes that it would be more cost effective for it to manage these procurements rather than the individual agencies. However, we found that GSA has not determined if the plan is cost effective or feasible. In addition, the Federal Supply Service proposal to perform this effort has not been acted upon by GSA headquarters.

The potential service market also includes some travel and transportation services in areas where GSA does not provide contract coverage. These services included air charter, ambulance, motor charter, and lodging. Our estimate of GSA's potential market in fiscal year 1984 includes $47 million in open market purchases for these services. The Acting Director, Office of Transportation, told us that these services do not represent a potential market because they are either unique to agency needs or the requirements are small and can best be met by each agency. For example, VA accounts for $12.1 of the $12.2 million reported for ambulance service, and this service is unique to the needs of each VA medical center.

TVA purchases should not be included in GSA's potential market

The potential over $10,000 market includes $726 million in TVA purchases. We do not believe these procurements represent a potential market because (1) $542 million is for fuels which are not available from GSA and (2) TVA is not required to use GSA and reported no use of GSA in fiscal year 1984. If these purchases are subtracted, the over $10,000 potential market is reduced to $885 million as shown below.

TABLE I.2
GSA'S POTENTIAL MARKET IN CIVIL AGENCIES FOR FISCAL YEAR 1984 WHEN TVA IS EXCLUDED

Category	All civil agencies	TVA	Civil agencies less TVA	TVA's percentage of civil agencies' total market
	(millions)			
Supplies and equipment	$1,230	$702	$528	57
Services	381	24	357	6
Totals	$1,611	$726	$885	45

GSA officials agreed that TVA is a nonmandatory user, but advised they have made efforts to get TVA to use GSA sources of supply. Our review of fiscal year 1985 procurements reported into FPDS shows TVA did report some use of GSA. However, we believe GSA's potential market in TVA will remain small, because the majority of TVA's purchases included in the potential market were for fuel.

GAO ANALYSIS OF OPEN MARKET PURCHASES UNDER $10,000

We sampled[5] 1,901 purchase orders valued at $1.1 million at five VA medical centers to determine if they were buying items on the open market that could be obtained through GSA. We found that 260 or 14 percent of the number we sampled represented a potential GSA market. These purchase orders accounted for 10 percent of the dollar value of our sample.

For the sample purchases that were identified as similar to GSA supplied items, we attempted to make price comparisons between the open market price and the GSA price. However, valid price comparisons could not be made because specific information concerning item description and product features was generally not available on the open market purchase orders.

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[5]See appendix VI for details on our sample methodology.

Our discussions with civil agencies concerning their open market purchases under $10,000 disclosed that agencies frequently purchase items either related to their mission or were not available from GSA. For example, we found that $59 million of the Department of Health and Human Services open market purchases under $10,000 were for Indian health care services. Also, the Department of the Interior Inspector General review of fiscal year 1984 purchases under $10,000 at four Bureau of Indian Affairs purchasing offices disclosed that most open market purchases were for items that are not available from GSA. The Inspector General found that only 13 of 2,466 of the purchases reviewed were for items available through GSA.

We also found that TVA open market purchases under $10,000 are included in GSA's potential market. However, as previously discussed on page 13, it is not required to use GSA. In fiscal year 1984, TVA reported $121 million of open market purchases under $10,000.

While our sample of open market purchase orders under $10,000 cannot be accurately projected to the $2.3 billion potential market, we believe it and the information obtained concerning open market purchases by other civil agencies demonstrates that including all these purchases significantly overstates GSA's potential market.

GSA RESPONSE TO THE PPSSCC

GSA has not completed the studies of agency purchasing practices recommended by the PPSSCC. These studies were to determine which items should be centrally or directly procured. We found that GSA completed only one agency study in March 1983. We were told no other studies were undertaken because the completed study did not identify large potential market and GSA did not have the resources to adequately review agency purchases at geographically dispersed purchasing offices.

The study of the Department of Commerce's open market purchases identified a potential GSA market of $5.3 million. The study report indicated that $2.2 million of this market resulted from the Department not using an existing GSA supply program because agency officials did not know one existed. The remaining $3.1 million potential market required GSA to either improve or increase items covered under its supply programs. As a result of this study, GSA developed and issued a new supply schedule for subscriptions in November 1985.

After the Commerce study, GSA attempted to analyze agency open market procurements over $10,000. We were told that this approach was taken to increase agency and geographic coverage. However, this effort was terminated because the limited analysis of open market purchases indicated they did not represent a potential GSA market. The next attempt to implement the PPSSCC recommendation came in May 1985 when the Federal Supply Service

proposed to take over the procurement function for certain agencies. However, action has not been taken on this proposal.

The most recent GSA effort to respond to the recommendation is a consultant study contract awarded in March 1986. The purpose of the study is to determine how to best supply common-use items to federal agencies. The study is scheduled to be completed in December 1986.

DOLLAR VALUE OF FY 1984 OPEN MARKET PURCHASES OVER $10,000 THAT WE REVIEWED BY AGENCY

Agency	Supply & Equipment	Services	Total
	(- - - - -000 omitted- - - - -)		
Agency for International Development	$ 534	$ -	$ 534
Department of Agriculture	6,013	-	6,013
Department of Commerce	2,341	1,135	3,476
Department of Energy	35,342	22,655	57,997
Environmental Protection Agency	537	63,105	63,642
Federal Emergency Management Agency	1,070	1,124	2,194
Department of Health and Human Services	13,487	3,306	16,793
Department of the Interior	1,171	-	1,171
Department of Justice	10,763	3,398	14,161
National Aeronautics and Space Administration	13,675	65,721	79,396
National Science Foundation	-	913	913
Smithsonian Institution	1,572	-	1,572
Department of State	16,369	-	16,369
Department of Transportation	40,518	1,547	42,065
Department of Treasury	133,498	7,476	140,974
United States Information Agency	1,796	-	1,796
Total	$278,686	$170,380	$449,066

GAO SAMPLE SHOWING WHETHER FY 84 OPEN MARKET SUPPLY AND EQUIPMENT CONTRACTS OVER $10,000 REPRESENT GSA MARKET BY PRODUCT SERVICE CODE

Product Service Code	Description	Civil Agencies Total FY 84 Open Market Purchases	Dollar Value of Sample Contracts	Whether Contracts Selected for Review Represented a Potential GSA Market	
				Yes	No
		(- - - - - - - - - - 000 omitted - - - - - - - - -)			
9999	Miscellaneous Items	$67,814	$40,999	$ -	$ 40,999
9530	Bars & Rods, Non-Ferrous Base Metal	54,653	54,653	-	54,653
6605	Navigational Instruments	33,883	33,094	-	33,094
4410	Industrial Boilers	30,471	30,495[a]	-	30,495
9545	Plate, Sheet, Strip, & Foil & Wire: Precious Metals	18,286	18,286	-	18,286
6640	Laboratory Equipment & Supplies	17,549	2,203	2,203	-
7610	Books & Pamphlets	16,766	13,216	10,443	2,773
9310	Paper & Paperboard	15,462	14,326	805	13,521
5660	Fencing, Fences & Gates	14,993	14,520	-	14,520
1510	Aircraft, Fixed Wing	12,050	11,018	-	11,018
6625	Electrical & Electronic Properties Measuring & Testing Instruments	9,509	4,030	-	4,030
7530	Stationery & Record Forms	9,009	8,663	-	8,663
6810	Chemicals	7,752	6,659	3,667	2,992
5999	Misc. Electrical & Electronic Components	7,450	3,681	-	3,681
5610	Mineral Construction Materials, Bulk	6,741	646	-	646
6350	Misc. Alarm & Signal Systems	6,416	4,872	2,230	2,642
6930	Operational Training Devices	5,947	5,858	-	5,858
6695	Combination and Misc. Instruments	5,845	1,600	-	1,600
1520	Aircraft, Rotary Wing	5,429	5,187	-	5,187
3695	Misc. Special Industry Machinery	5,308	4,680	-	4,680
	Total	$351,333	$278,686	$19,348	$259,338
	Percentage		100	7	93

[a]The dollar value of sample contracts is greater than total open market purchases because of a deobligation of funds under another contract.

APPENDIX IV

GAO SAMPLE SHOWING WHETHER FY 84
OPEN MARKET SERVICE CONTRACTS OVER $10,000
REPRESENT GSA MARKET BY PRODUCT SERVICE CODE

Product Service Code	Description	Civil Agencies Total FY 84 Open Market Purchases	Dollar Value of Sample Contracts	Whether Contracts Selected for Review Represented a Potential GSA Market	
				Yes	No
		(- - - - - - - - - - - - 000 - - - - - - - - - - - -)			
L099	Misc. Technical Representative Services	$103,529	$ 98,087	$ -	$ 98,087
J099	Maintenance, Repair & Rebuilding of Misc. Equipment	57,458	30,832	-	30,832
V221	Passenger Air Charter	18,598[a]	-	-	-
V119	Other Cargo Freight Services	15,716	11,217	-	11,217
V225	Ambulance Service	12,425[a]	-	-	-
W099	Lease or Rental of Misc. Equipment	10,504	7,253	-	7,253
J066	Maintenance, Repair & Rebuilding of Instruments & Laboratory Equipment	9,159[b]	-	-	-
V211	Air Passenger Service	8,520	8,520	-	8,520
V231	Lodging - Hotel/Motel	6,133[a]	-	-	-
V222	Passenger Motor Charter Service	5,664[a]	-	-	-
W066	Lease or Rental of Instrument & Laboratory Equipment	5,093	4,940	-	4,940
V212	Motor Passenger Service	4,470[a]	-	-	-
H099	Installation of Misc. Equipment	4,010	2,688	-	2,688
V112	Motor Freight	3424[c]	-	-	-
K099	Modification of Misc. Equipment	3,276	3,116	-	3,116
H199	Misc. Quality Control Services	2,751	2,219	-	2,219
W036	Lease or Rental of Special Industry Machinery	2,463[c]	-	-	-
W023	Lease or Rental of Motor Vehicles	2,340[c]	-	-	-
V999	Other Travel Services	1,918	1,508	-	1,508
V122	Motor Charter For Things	1,452[c]	-	-	-
	Total	$278,703	$170,380		$170,380
	Percentage		100	0	100

[a]No contracts reviewed because product service code does not represent potential GSA market.

[b]No contracts reviewed because GSA task force is studying whether product service code could be added to supply schedules.

[c]No open market contracts which met sample selection criteria.

CIVIL AGENCIES' PROCUREMENTS UNDER $10,000 BY SOURCE IN FY 84

Agency	SOURCE OF PROCUREMENT: Open Market Amount	Open Market Percent	GSA Amount	GSA Percent	Other[a] Amount	Other[a] Percent	Total
	(- - - - - - - - - - - - - - - millions - - - - - - - - - - - - - -)						
VETERANS ADMINISTRATION	$ 753	70	$324	28	$ 14	2	$1,091
HEALTH AND HUMAN SERVICES	258	68	104	28	14	4	376
AGRICULTURE	232	70	78	24	19	6	329
INTERIOR	220	69	73	23	24	8	317
TRANSPORTATION	190	64	74	25	33	11	297
TENNESSEE VALLEY AUTHORITY	121	85	3	2	19	13	143
JUSTICE	112	69	31	19	20	12	163
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	110	75	36	25	-	-	146
TREASURY	75	55	58	42	4	3	137
COMMERCE	43	72	16	27	1	1	60
ENERGY	24	69	10	28	1	3	35
OTHER AGENCIES[b]	150	66	62	27	15	7	227
TOTAL	$2,288	69	$869	26	$164	5	$3,321

[a]This includes procurements from other federal agencies and directed or regulated procurements.

[b]This total represents procurements of 46 civil agencies.

Source: Federal Procurement Data System Standard Report, fiscal year 1984.

SAMPLE METHODOLOGY FOR OPEN MARKET PURCHASES UNDER $10,000

For the under $10,000 market, we selected five VA medical centers and reviewed a random sample of the purchases at these centers made during fiscal year 1984. Our work showed that for the five centers, only about 14.0 percent of the purchase transactions represented a potential GSA market. The following table shows the results of our statistical sample together with associated sampling errors.

TABLE I.3
PROPORTION OF PURCHASE ORDERS THAT REPRESENTED A GSA MARKET

Strata	Universe	Sample Size	No. of Purchases with GSA Potential	Proportion	Sampling Error
East Orange	9,217	361	58	15.7%	+/-3.6%
New York	8,539	385	45	12.0%	+/-3.2%
Northport	9,080	385	60	16.1%	+/-3.7%
Richmond	10,317	385	49	12.8%	+/-3.3%
Washington, DC	5,923	361	48	13.5%	+/-3.4%
Total	42,048	1,901	260	14.0%	+/-1.6%

Because we reviewed only a portion of the fiscal year 1984 purchases at the five centers, each estimate developed from the sample has a measurable precision, or sampling error. The particular sample we selected from the population is only one of a large number of samples of equal size and design which could have been selected. Each of these samples would produce a different value for the characteristics being estimated. An estimate's sampling error measures the variability among the estimates obtained from all possible samples. It is, thus, a measure of the precision or reliability with which an estimate from a particular sample approximates the results of a complete census. From the sample estimate, together with an estimate of its sampling error, interval estimates can be constructed with prescribed confidence that the interval includes the average result of all samples.

For example, we found that 14.0 percent of the purchases represented a potential GSA market. Our sampling procedure was designed so that we had a 95-percent chance of producing a set of limits that encloses the true percentage of purchases that represented a potential GSA market. Using a sampling error formula with a 95-percent confidence level, we found that the percentage of GSA potential purchases had an actual sample error

of 1.6 percent. Thus, although we do not know if the true percentage actually falls within the limits computed (14.0 percent plus or minus 1.6 percent), we may state that there was a 95 percent chance that our sample is one whose limits will include the true percentage.

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